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# Food & Nutrition

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## Technical Assistance Gets Results



Several states have made dramatic improvements in their food distribution systems. Many of the improvements are the result of a technical assistance effort that is helping states save millions of dollars and provide better service. **Page 2**

## Processing Saves Time And Money

Processing contracts help schools and other local agencies use more USDA-donated foods and save time as well as money. Two articles look at some interesting processing arrangements. **Page 9**

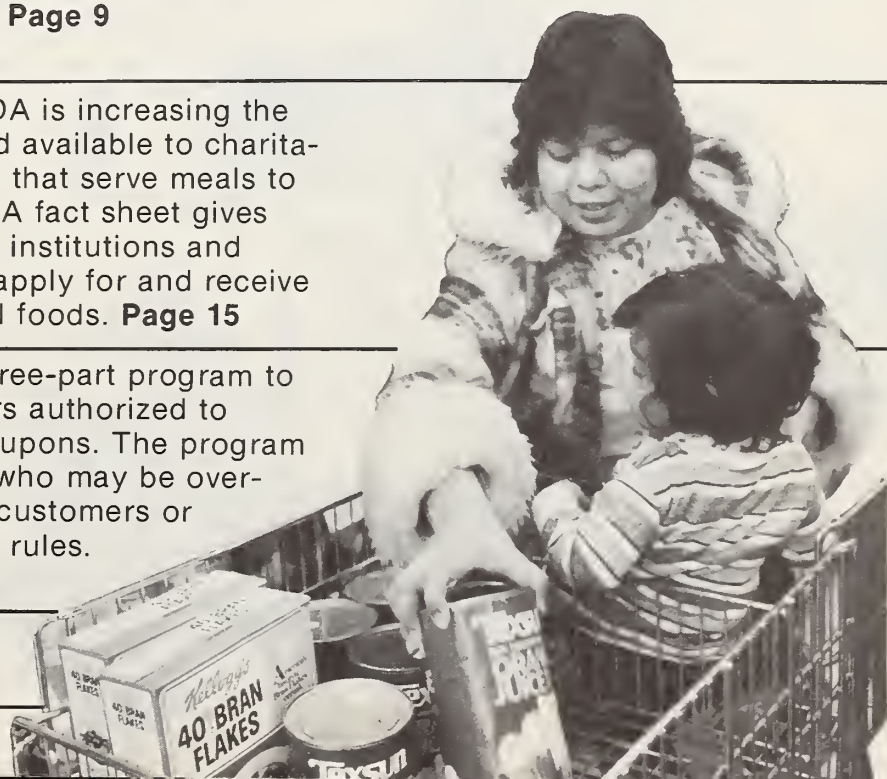
## Food Help For Charitable Institutions

This year, USDA is increasing the amount of food available to charitable institutions that serve meals to needy people. A fact sheet gives details on how institutions and organizations apply for and receive USDA-donated foods. **Page 15**

## How Texas Works With WIC Vendors

Texas has a three-part program to monitor grocers authorized to accept WIC coupons. The program spots grocers who may be overcharging WIC customers or violating other rules. **Page 16**

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# Technical Assistance Gets Results

Each year USDA donates millions of pounds of food to state agencies, who in turn pass it on to schools, institutions, charitable organizations, food banks, and other local agencies. The food is purchased by USDA through various price support and surplus removal programs designed to stabilize market prices.

While USDA pays for shipment of the food from its point of origin to the state, it's up to the state to actually get the food to the agencies who use it. That's no small job, and if a state is using inefficient warehousing or distribution systems, it can be unnecessarily difficult—and costly.

In most states, these costs are passed on to the local users. Schools, which get nearly 90 percent of all USDA food, may be charged anywhere from \$1 to \$5 for each 40-pound case of USDA food. If they have to pick up the food from state warehouses or other distribution centers, they have their own labor and transportation costs to add to the state charge.

## **FNS offers technical help**

For the past 2 years, USDA's Food and Nutrition Service (FNS) has been offering states technical assistance to help them find ways

to store, handle and distribute USDA-donated foods for less money and with better results. When a state requests this assistance, a professional food distribution consultant, working under contract from USDA, conducts a thorough review of the state's system, identifying and suggesting solutions to whatever problems might exist.

The initial visit to the state and the problem-solving analysis are free. The cost of implementing the recommendations and measuring their effectiveness is funded as much as possible by the state, with federal assistance if necessary. Accepting the assistance does not put a state under any obligation to USDA. The only thing USDA asks is, if a state agrees with any of the recommendations from a study, it at least try them.

Jerry Stein of the FNS food distribution staff in Washington has coordinated the technical assistance program nationally, working closely with FNS regional offices and private industry experts Richard Wagner and James Mixon.

"We decided to use consultants," says Stein, "because we wanted to get the most up-to-date advice from specialists in industry. Also, we wanted to be able to call on them

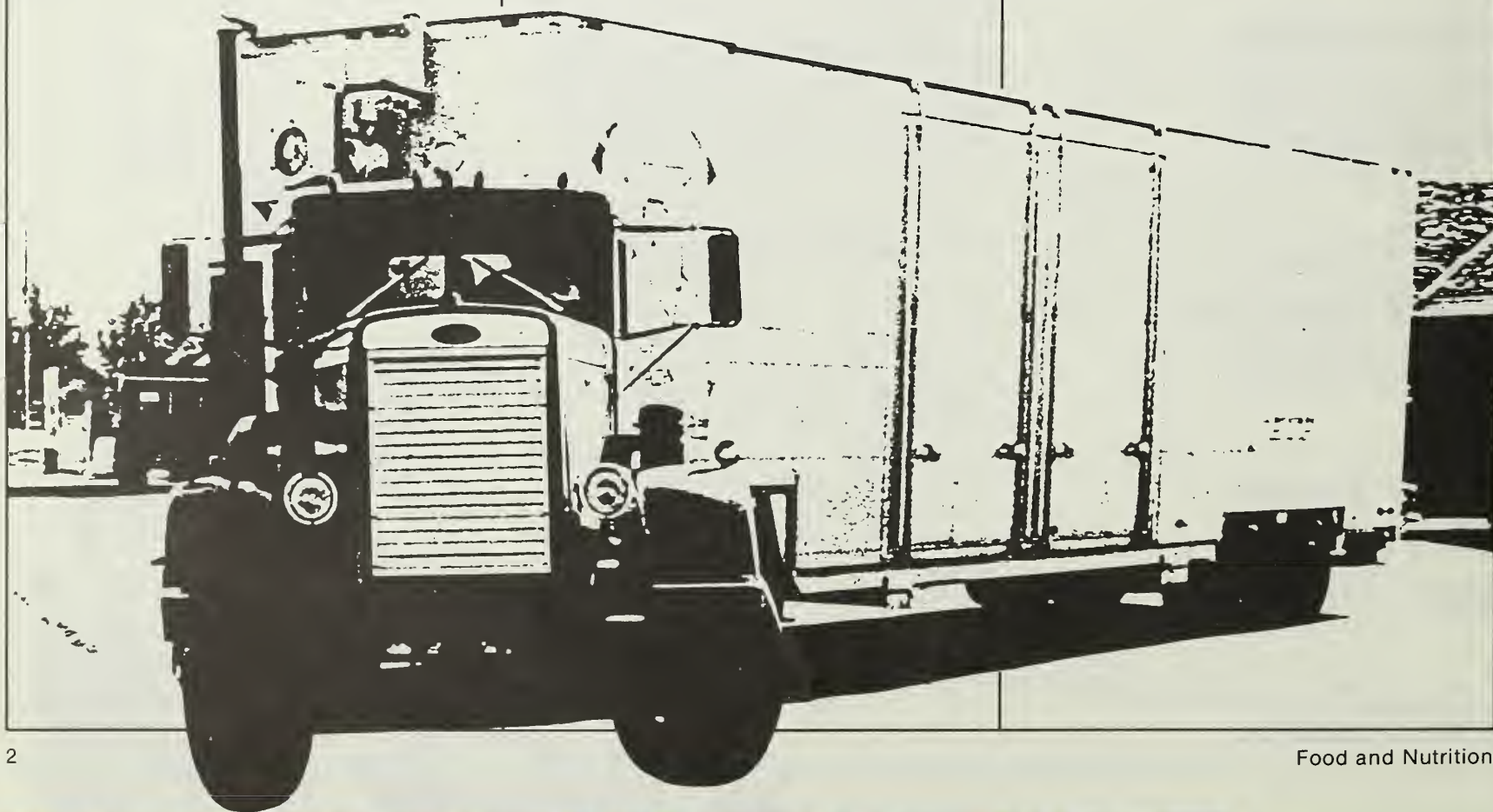
as needed." FNS chose consultants with particular strengths in setting up and fine-tuning distribution systems.

So far, 23 states have expressed interest in the assistance. Nine of them have completed the initial analysis and made all the recommended changes. Already many states are reporting dramatic savings. Idaho, the first state to receive assistance, has saved \$284,000 since 1981. Alabama, another early state, saved \$750,000 during 1982 alone.

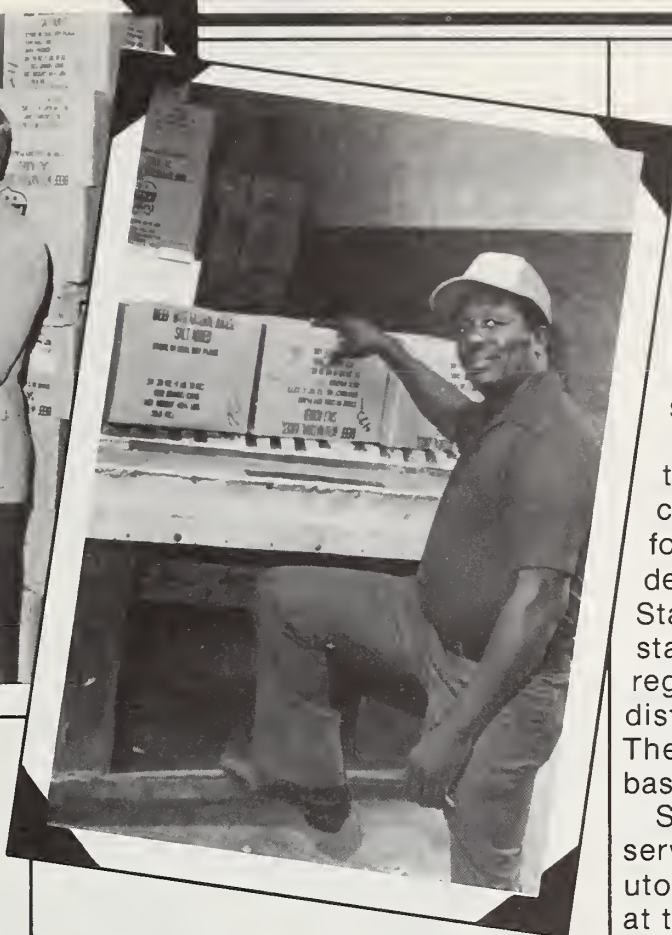
"We're extremely pleased with the results," says Jerry Stein. "States that have fully implemented the recommendations have saved more than \$4.1 million, and that figure could go as high as \$51.6 million a year if all the states go ahead with the recommended improvements.

"The best part," he adds, "is that the savings are passed on to the local users of USDA-donated foods. Idaho used to charge schools and institutions \$2.19 for every case of USDA food. They now charge \$1.75, one of the lowest rates in the country. Mississippi has lowered its average charge per case to \$1."

Aside from savings to the states, an added benefit of technical assistance is that it offers valuable training for federal and state food program managers.







Left: Alabama child nutrition program coordinator T.G. Smith (right) and staff member Norvelle Clark (center) visit one of the six commercial distributors that now deliver donated foods. Right: Willie Griffin, an employee of the company, completes a delivery to a school.

## Alabama: a case study

States can be divided into two groups according to the way they distribute the bulk of their federal commodities: (1) warehouse states, which distribute the food after taking it into state-run or privately leased storage facilities; and (2) car-side states, which notify schools and institutions to come get the food when it arrives by rail or truck from the USDA supplier.

Until last year, Alabama passed out 75 percent of its commodities at car-side. School system employees drove to various points in the state to pick up their food allotments. Some school systems had as many as nine different delivery points serving them, and it was not unusual for food to arrive at four or five of these points in the same day.

"We knew we were overdue for a change," says T.G. Smith, coordinator of child nutrition programs for the Alabama Department of Education. "Our delivery method had become a burden to school systems." Picking up the commodities was expensive as well as cumbersome, and often had to be done with little advance warning.

"We had to close our maintenance shop when commodities arrived so the maintenance staff could pick up the foods," says John Westbrook, food service supervisor for Selma city schools. "It cost us as much as \$425 a day in salaries for a single day's delivery."

Many school systems were not equipped to transport the refrigerated and frozen products USDA

began donating to schools in recent years. Other problems included food arriving on holidays when schools were closed; more food arriving at one time than schools could store; and food not arriving as scheduled, necessitating a second costly trip to pick it up.

In 1979, the Alabama Department of Education began researching alternatives to car-side deliveries. They applied for USDA's technical assistance, and became one of the first three states to take part. Tommy Ramey, the state's food distribution program supervisor, worked closely with consultant James Mixon on a comprehensive study of the current system and several alternatives.

Together, Ramey and Mixon visited every state warehouse and commercial food distributor in Alabama, evaluating each and compiling a bid list. They met with school system employees and discussed the problems the old delivery method posed for school systems.

Some school systems were asked to keep detailed records showing all costs associated with their pickup and delivery of commodity foods.

The data compiled showed that car-side pickups resulted in a \$1.85 delivery cost per case of food, compared to \$1.58 for warehouse deliveries. The higher costs for car-side deliveries were primarily due to the expense of using a large number of vehicles, all carrying small loads, to make the pickups.

After studying several options the study provided, Alabama chose to contract with private food distributors for storage and delivery of USDA-donated foods. State food distribution program staff established eight delivery regions, with each region having a distributor for its local schools. The state selected each distributor based on competitive bids.

Six different distributors now serve the eight regions. The distributors receive USDA-donated foods at their warehouses and combine the delivery of these foods with the delivery of commercially purchased food going to the same area. Because the delivery trucks travel with full loads on a regularly scheduled basis, the delivery costs per case of food are considerably less than they were when the 126 school systems picked up their foods individually.

## Officials see many benefits

School superintendents throughout Alabama have endorsed the change enthusiastically. "I am delighted the state department of education has taken the initiative to start this new delivery system," says Charles Sprayberry, superintendent of Tuscaloosa County schools. "In this day of high energy costs, I think it is practical to have USDA foods delivered by a vendor who is going to schools anyway."

Other advantages of the new system are:

- The state department of education and local school systems are better able to monitor and control the inventories of commodities they receive. No product will remain in a distributor's warehouse beyond 60 days. If inventories build up beyond this period, then the state office will either reduce a school system's future orders or transfer the surplus stock to other eligible systems or outlets.



- Regular weekly deliveries from the commercial warehouses allow schools to plan menus better and to avoid shortages and overages.
- Food quality, especially of the refrigerated and frozen commodities, is improved. Under the old method, because schools used unrefrigerated vehicles to transport chilled and frozen foods, these foods lost quality. This situation could have caused health problems.
- School employees who formerly picked up the commodities now have more time for their regular duties, resulting in improved management of the school lunch program.
- The commercial food distributors, who are responsible for any damaged goods they accept, detect and report damaged goods more promptly and accurately.
- Stockpiles of commodities will be available in the commercial warehouses in the event of a major disaster.

Alabama department of education officials admit that the food delivery system is not perfect. But as one official explains, "There are problems any time you make drastic changes, but the problems we have now have solutions. Our problems before had no solution except to change the entire delivery system."

#### **Changes also help in Texas**

Unlike Alabama, Texas already had a system for distributing USDA commodities to 15 commercial and state regional centers when it asked FNS for help in analyzing its warehousing practices. At some of these centers, schools and institutions made weekly pickups of food, mostly in their own vehicles. At the more remote centers, schools and institutions made monthly pickups.

While the system covered the state well and met the needs of the largest recipients in each of the 15 regions, the cost of distributing donated foods was about \$2.33 per case. Schools, because of their larger orders, were paying somewhat less—about \$2.03 per case.

"Generally speaking, weekly pickups are ideal," says Jerry Stein, "because they give schools and other users of USDA foods more flexibility in ordering and menu planning. But recipients getting

food weekly in Texas were paying relatively high prices because the drops were small, and they had to move the food twice—first from a regional arrival warehouse, and next from a local intermediate one.

"Recipients with monthly pickups, on the other hand, paid less per case but had to squeeze large deliveries into limited on-site storage space. This meant they had to use a month's supply of an item before ordering something different and often they couldn't take advantage of short-term, limited quantity offers."

James Mixon recommended several changes to bring overall costs down and make weekly deliveries practical. One was to redesign the regional boundaries so each region would be handling larger volumes. The other was to combine the distribution of donated and commercially purchased foods. Commercial distributors were already supplying three-fourths of the food and supplies used by schools.

Texas officials decided to make the changes, concentrating on the western part of the state where there are the most recipient agencies and commercial distributors. They have divided the state into 11 regions, instead of 15, and already about two-thirds of the schools in the state are getting weekly deliveries of donated foods from commercial distributors. State officials expect to have the system serving all schools by the beginning of the 1983-84 school year in September.

#### **Direct marketing another innovation**

Another change that promises big savings for Texas schools is direct marketing of locally grown fruits and vegetables. "At the same time we were looking at warehousing and deliveries," says Stein, "the state asked us for any suggestions we might have for alleviating crop surpluses in the Rio Grande Valley. We met with the Lower Rio Grande Valley Fruit and Vegetable Growers' Association and came up with the idea of putting these crops directly into schools. We also realized we could do this year-round, not just with surplus foods."

Under a plan developed last summer, growers from the Rio Grande Valley will sell their fruits and vegetables to the same distrib-

utors chosen by competitive bid to handle donated foods. Schools and institutions will pay a low market price for the item, plus a prorated share of the growers' cost of transporting it to the distributor, and the distributor's charge for delivering it. The total cost will be far lower than it would be for purchasing the produce through normal channels.

The plan, which will be in place by the fall, was an immediate hit with the growers, school food service managers, and the state departments of education and agriculture. Growers will benefit from having a larger local market, and schools and institutions will have access to cheaper and fresher produce.

"All in all," says Stein, "we think we're going to have the biggest savings in Texas of any state. That's partly because they're implementing everything, and partly because they're a big state."

Savings are expected to exceed \$11 million by the end of the first year, not counting the savings schools will realize from the direct marketing plan. Additional savings are expected after a study is done in the eastern part of the state.

**“The best part is that the savings are passed on to the local users of USDA-donated foods. Idaho used to charge schools and institutions \$2.19 for every case of USDA food. They now charge \$1.75, one of the lowest rates in the country. Mississippi has lowered its average charge per case to \$1.”**

#### **Financial planning is focus in D.C.**

While transporting and distributing food are common problems for large states like Texas and Alabama, some small states face different challenges. The District of Columbia, which administers the food distribution program as a state agency, asked for help with its financial system.

"They told me their problem was not so much the physical handling





Consultant Richard Wagner (above) studies ways the District of Columbia can improve its recordkeeping and financial planning. Using computers more extensively is one recommendation.

of the product, but rather knowing what it cost them to do it," says Richard Wagner, who has been working with the District.

The District of Columbia, tucked into a roughly diamond-shaped gap between the curving borders of Virginia and Maryland, occupies only 67 square miles. Donated foods are handled entirely by two warehouses: a commercial one for refrigerated food and a district-leased and -operated one for the remainder. The food is distributed to schools and institutions free of charge, in a fleet of 32 district-owned trucks, 14 of which are refrigerated.

In reviewing the logistics, Wagner found a complex, service-oriented distribution system making many deliveries to 178 schools. Refrigerated trucks made an average of 7 or 8 drops per day, as well as two separate pickups for frozen and chilled components of preplated meals for some schools. Nonrefrigerated food and other supplies were delivered to all schools weekly by the same employees.

One problem, according to Wagner, was that a large number of small, rush-service pickups were being made at the request of the schools, without documentation or

even, in many cases, the knowledge of department heads. Minimal records were being kept of labor and equipment use. There was little monthly data that could be used to evaluate the operation's efficiency, to design performance standards, or to plan ahead. District managers wanted a recordkeeping system that could do this and also allow them to have a zero-based budget.

Wagner recommended several changes, including a voucher system to account for all deliveries and the hours and mileage spent on them. Unstable school lunch participation rates—with daily attendance fluctuations of as many as 20 percent of eligible students—made it desirable to keep daily records that could be summarized monthly and compared to the virtually fixed labor, equipment, and building rental costs.

In addition, Wagner recommended using a small computer to keep track of inventory, shipping, and order documents. The computer could also calculate school allotments based on average daily participation, and otherwise make the records useful from day to day.

Other suggestions included:

- Planning deliveries at least a week in advance.

- Stretching the relatively short delivery day (about 6 hours) to use the labor force more efficiently.
- Making the drop size of deliveries as large as possible.
- Finding out whether institutions are taking full advantage of their allotments of commodities.

These recommendations constitute the first phase of the study. The second phase, if the District decides to go ahead, will be for Wagner to actually design the records and help program managers make the changes.

#### Activities in other states

Several other states have gone through the first phase and are considering making the recommended changes. They are: Arizona, Alaska, Michigan, Illinois, and New Jersey. Nine have completed both phases and have fully implemented the recommendations. In addition to Alabama and Texas, they include Idaho, Mississippi, Kentucky, South Carolina, Virginia, Nebraska, and Georgia.

The experiences of some states are less universal than others. Alaska, for example, has unusually remote areas that are nearly impossible to service during parts of the year because of physical and climatic barriers. Many schools and recipient agencies are very small, receiving only a few cases per drop—which is often by parcel post, the most economical way of shipping to those spots.

By contrast, Idaho and Alabama have provided experience that has been widely useful. According to Jim Mixon, the groundwork laid in those first studies has made a big difference in later work. "The first phase took about a year in Alabama," he says. "We still do a similar study in every new state, but it now takes only 4 or 5 months."

The technical assistance reviews have identified four main areas of potential savings. They are:

- **Reducing the costs of storing and distributing donated foods.** The national average distribution cost is about \$2.50 per 40-pound case of food. With improvements in their warehousing and distribution systems, some states have reduced this by as much as \$1.00 or \$1.50 per case.



- **Coordinating local, commercial purchases with the distribution of donated foods.** States can arrange to have USDA foods delivered by commercial distributors who are already going to schools. This can result in cheaper, more frequent deliveries of donated foods, as well as reductions in the cost of commercial deliveries. Alabama and Texas offer good examples of how this can work.

- **Avoiding missed opportunities.** Effective logistics means getting the right product in the right place at the right time and in the right condition. If one of these is missing, and school lunch managers must, for example, buy butter because there is no way for them to get free butter from USDA, the state has paid more and gotten less.

- **Streamlining administrative costs.** States can look for overlap and redundancies throughout their distribution systems. They can make sure managers, clerical workers, and delivery people are using their time efficiently. They can look into the possibility of using computers. Arkansas is currently computerizing its operations in a special project that will serve as a model for other states. (See article on page 8.)

Several states have realized substantial savings by renegotiating agreements with warehouse and common carriers to reduce rates. Nebraska saved \$64,000 during the 1981-82 school year by doing this. Arizona modified its warehouse/carrier contract and expects savings of \$128,000 this fiscal year. New Jersey renegotiated some warehouse agreements and saved \$46,000 in fiscal year 1982. Implementation of a state delivery system (in place of recipient pickup) and other recommended measures could save another \$90,000.

One of the recommendations that came out of the Idaho study was that the state increase the number of approved carriers on its bid list. As Jerry Stein explains, this allows carriers to take advantage of the recent deregulation of the trucking industry. Previously, under Interstate Commerce Commission rules, haulers had to follow particular routes. "The object," says Stein, "was to guarantee that they would service every nook and cranny of

the country—highly lucrative and less lucrative routes alike. But it got complicated and inefficient."

One disadvantage to carriers was that they could not stray from their routes. If they could not find shipments needing to go back along the way they had come, they had to return empty. Abolition of this rule under deregulation means that carriers can follow any route they choose, and scout at will for loads to carry back. What this means for the goods owner is the possibility for lower rates because haulers now compete against each other.

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#### **Some general recommendations**

While many problems and solutions are specific to particular states, some general recommendations are possible. For example:

- Many states using commercial warehouses or common carriers are billed according to different tariffs for each different way of packing the same item—for instance one rate for peaches in glass jars and another for peaches in cans. In addition, the tariffs usually appear on the bills of lading in a complicated code that is nearly impenetrable to the layman. Different warehouses and carriers use different codes. The result is that it is next to impossible to check and verify the bills.

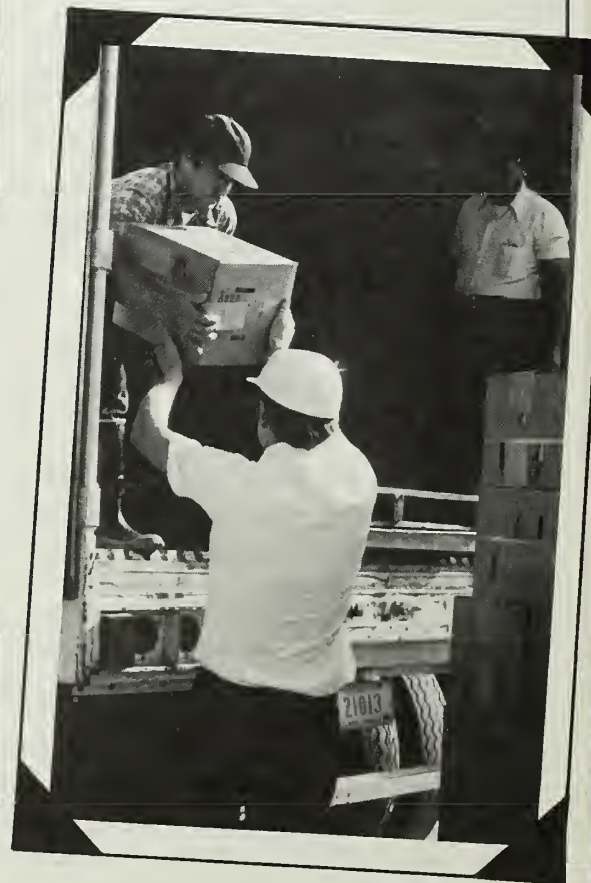
One solution is to ask the state public utility commission (which sets tariffs for all carriers in the state) to establish a generic rate for all USDA commodities as a single classification—an average rate per hundredweight for all items the state knows it will be using. It is then possible to know what the bills

will be in advance, to monitor the bills for overpayment, and to budget.

- If a state is unable to analyze its bills of lading when complicated tariff rates are applied, it can hire auditors on a contingency basis. Typically, they will keep 50 percent of any savings they reclaim and return the other 50 percent to the state—which is more than the state would have gotten otherwise.
- In many states, title to a recipient's allotment of a commodity will be transferred before that commodity actually leaves the warehouse. Commercial warehouses often treat this as an excuse to charge the recipient a new "in and out" charge, although the product has not moved an inch. They may also charge the recipient a higher storage fee than had been charged for the larger, state-contracted product.

This can be avoided by the state's retaining title to the commodities and charging the recipients directly for their fair share of the warehousing and handling costs.

- In states where each school district must arrange for the transpor-



Several states have cut costs by renegotiating agreements with warehouses and common carriers. To increase competition among carriers, Idaho has added more carriers to its bid list.



tation of its own commodities, the districts can save money by sharing carriers and scheduling their deliveries together, especially if they can work out a convenient route for the carrier. This is known as a master billing procedure.

- A revolving fund, whereby purchase, storage, and handling charges are paid quickly, can save a state quite a bit of interest money. It also broadens the competitive base of interested distributors. Quicker payment can enable the end user to take advantage of fast-payment discounts.

- All warehouses maintain paper inventories, but these should be supplemented with timely physical inventories. Professional inventory specialists can do the job cheaply and thoroughly, insuring that the paper inventory represents what is actually there and that the food is in good condition.

- Most states assume that products in the care of warehouses or truckers are insured in full against loss or damage, but there is often a limit to the liability. Full coverage may cost more, but it may be worth it.

#### **A look at what's ahead**

This past October, the Food and Nutrition Service hosted a national

food distribution conference in Chicago. The conference brought together state distributing agents, federal program managers, and private industry specialists for 3 days of workshop sessions. The workshops provided general information on the technical assistance program and some specific suggestions for making improvements.

"You get a lot for your money with a conference like this," says Jerry Stein, "because you're talking to so many people simultaneously. It has drawbacks because you can't address a specific problem a state might have, but you can talk about common problems. And you can give people the principles of a good system."

FNS plans to continue providing technical assistance. "As long as there are states asking for help," says Stein, "we'll see they get it."

Looking ahead, he sees other ways FNS and states can save. For example, in another technical assistance effort, FNS and states are working on a system for helping schools procure food more cheaply.

"Eighty percent of the food schools use they buy on their own," Stein explains. "Every time they make a purchase, they're paying not only for food, but for handling

costs as well. We think we can reduce the cost of lunch 2½ cents per meal by bringing down some of those handling costs. South Carolina has already gotten the markup on food down to 9½ percent, compared to a national average of 20 percent."

Stein would also like to see more sharing of expertise between the private and public sectors. "We'd like to find out how the big food service companies handle their purchasing and distributing, and get their advice on how we can do better."

Both Stein and Joe Shepherd, director of the FNS Food Distribution Division, feel confident that the improvements resulting from technical assistance will help FNS provide leadership in expanding food distribution goals.

"We're especially excited about what we're doing with state departments of agriculture to improve communication between those who use food and those who produce it," says Shepherd.

For more information, write:

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*article by Christopher Kocsis and Brenda Schuler*

*photos by Larry Rana, Luther Mitchell, and Paul Rowen*





# New computer in Arkansas is a model for other states

Arkansas commodity distribution director Johnnie Naylor will have virtually all of his bookkeeping operations computerized this year, thanks to a pilot project in technical assistance sponsored by USDA's Food and Nutrition Service.

Naylor had known for 4 years he would have to automate. He and his two assistants were trying to track food deliveries to 365 school districts, 140 charitable institutions, 8 correctional institutions and 40 summer camps with a hand-entry ledger system. This system was slow and prone to error. Naylor saw clearly the need to streamline his operations, but he also saw that he would need money and expertise to pull it off. And he had neither.

Then, during a management evaluation session in April 1981, Naylor laid out his problems for FNS staff. As it turned out, Naylor was the right man with the right problems at the right time. FNS data processing staff in Washington had already begun to develop a comprehensive computer program for use by state distributing agencies as one of the agency's technical assistance initiatives. All FNS needed was a state to act as the pilot. Arkansas was it.

## Finding a way to make it work

During the next few months, systems analysts from Washington and Dallas paid regular visits to Naylor's office in Little Rock, sifting through files and records to find a way to make it all work in the computer.

By March 1982, the Arkansas commodity distribution agency was the possessor of a Radio Shack TRS-80 computer, a slightly upscale version of the one advertised on television as a "home computer," complete with disk drive and printer.

Ultimately, Naylor will have four interrelated computer subsystems working for him. They are called: the System Support Module, the Distribution Subsystem, the Planned Assistance Level (PAL) Subsystem, and the Administrative

Subsystem. The first two already are in place.

First came the System Support Module, the basic reservoir of information the computer needs to perform food distribution operations. This module maintains such data as the listing of schools served and the kinds of commodities available.

The program's first practical application came with the initiation of the Distribution Subsystem for schools in July 1982. This subsystem allocates commodities to each individual school based on the number of meals served. It also tracks the school's remaining entitlement balances and generates a truck-loading list for the central warehouses.

Each school food service director receives a computer-generated invoice showing not only how much food is delivered but also how much of the school's total entitlement remains.

"This makes schools more aware of the value of the commodities they're receiving," Naylor says, "and we really couldn't track entitlements, as we're required to, without the computer. We just don't have the time or the people to do it. The computer is more accurate than our old manual system, too."

Currently, Naylor is loading the computer to test the Planned Assistance Level (PAL) Allocations Subsystem. Closely related to the Distribution Subsystem, the PAL subsystem will generate individual entitlement levels for each recipient agency based on a regulated value per meal and the projected number of meals to be served. This subsystem also will adjust entitlements automatically when assistance levels change.

Due for a June 1 startup is the Inventory Subsystem. This will allow continuous updating of the state's warehousing system by tracking the dollar value of commodities received, distributed and due.

The final step in Naylor's automation plan will be the creation of the Administrative Subsystem, a catch-all program that will permit him to pull information from all the other

subsystems for purposes of comparison and analysis.

## Good preparation is important

Naylor says the key to making the transition from a manual bookkeeping system to an automated one is "making sure you do enough preparation up front."

Take training, for example. Although Naylor and his staff took a short computer training course at the outset, he believes conversion to the computer would have been smoother if they had had more time to practice on the specific computer they were to use. "As it turned out, a lot of our training came from trial and error," he says.

He also advises the prospective computer user to take great care in selecting hardware. "Our original machine was the TRS-80, Model 11," Naylor says, "but we discovered that we had to upgrade to a (TRS-80) Model 16. Anyone considering a computer should 'overbuy' to some extent to make sure you have enough capacity for now and for the future."

Even after upgrading, however, the cost of the Arkansas hardware was only about \$14,000, Naylor says. "And the computer probably eliminated the need for hiring two more clerical personnel to do what would have been required manually."

The lessons Naylor learned from experience will come a little easier to other state administrators. FNS is developing a series of user handbooks based on the Arkansas pilot project. They will be available to other food distribution agencies this year. For more information, write: Food Distribution Southwest Regional Office Food and Nutrition Service, USDA 1100 Commerce Street Dallas, Texas 75242 Telephone: (214) 767-0216

*article by Terry Stark*



# Processing Saves Time And Money

## New York's Ernie Berger talks about statewide processing

Ernie Berger likes to share his wealth of experience with and knowledge about the commodity distribution program. Berger has a lot to draw on—he is head of New York's Bureau of Donated Foods, and recently has been president of both the New York State School Food Service Association and the National Association of State Agencies for Food Distribution.

Berger has what might be a unique perspective on the commodity program—especially as it relates to schools. He's helped build from the ground up a very successful commodity program in one of the country's most populous states. And, because of his work with state and national organizations, he has seen close-up the problems schools in other states have had with their commodity programs.

Berger heads a staff of 19 people. Twelve work in the Bureau of Donated Foods' Albany office; seven are field people who work directly with schools and institutions. Together they handle all aspects of the commodity distribution program for New York. In addition to ordering commodities from USDA, they arrange and pay for handling, storage, and delivery of the food from state warehouses to local school districts, prisons, child care institutions, charitable organizations, and other eligible agencies.

The office runs a large computer operation and is responsible for the

state's processing program, one of the largest in the country. Working with more than 100 companies, Berger's staff arranges for food processors to convert USDA-donated foods into a variety of products that are then sold to schools at a discount. The savings are substantial, especially on products that are made with more than one USDA-donated food.

Last year, Berger's office handled approximately 180 million pounds of USDA commodities. Most of them went to schools, and nearly a third were converted into food products through the processing program.

### Processing program used statewide

New York's processing program is one of Ernie Berger's larger successes. Several years ago, the processing program included only bakeries that were providing breads

and rolls to school districts. When a school district wanted a processed item, it had to have five sets of the 12-page contract signed by the clerk of the board of education and forwarded to the state for review.

"You wound up with districts not wanting to get involved because it was too much work," says Berger. "The processing program was really next to nil."

Today, Berger's office deals with 111 companies that process commodities into some 400 end products. Nearly every school in the state participates in one or more of the state's processing contracts.

The processing program is a real boon to schools. Because it makes it easy for them to use USDA-donated foods, they order more—and that means they save more





money. "Of the 18 million pounds of flour we got last year," says Berger, "over 16 million went to processors. If we didn't have a processing program, we would have taken maybe 10 percent of that amount of flour."

The system Berger has set up saves schools a lot of time and effort. The Bureau of Donated Foods handles all the contractual arrangements with companies, so schools no longer have to worry about writing specifications for products or making sure they are getting the full value of their donated foods.

On a mayonnaise contract, for example, Berger will arrange to provide USDA-donated oil to a company that agrees to make mayonnaise according to the state's specifications. The state's contract with the company specifies the value of the oil and how much of it has to go into every case of the product.

Once the contract is final, Berger's office adds the manufacturer's name to the list of processors participating in the program, and schools place their orders with the company. The office sends schools the list of processors every September, with updates every few months if new companies are added.

"All a district has to do," Berger explains, "is call the company and say, 'We want to buy mayonnaise and see that you're in the donated foods program.' That company will then tell the district how they can go about getting the mayonnaise."

"The company may say, 'Okay, you're in city X, we have a distributor there. His name and number is...call him and order your product.' Or, they may say, 'We ship directly to your area. How many cases do you want?'"

The price of the mayonnaise will already have been worked out between the company and the state. The school district simply arranges for payment.

Depending on the company, school districts pay for processed products in one of two ways. They may buy the product at the discounted price the state has negotiated with the company—for example, \$8 for a \$16 case of mayonnaise. Or, they may pay the full \$16, then send the company a rebate form. The company in turn

reimburses the districts.

The discount system can only be used in instances where a manufacturer bills the school directly. Most of the time, manufacturers sell products to commercial distributors, who in turn sell to schools. In these instances, the rebate system must be used.

Berger keeps track of all purchases. "At the end of the month," he says, "the company sends me a report that shows they sold 10 cases of mayonnaise to school district A. School district A sends me a report saying they bought 10 cases of mayonnaise from the company."

### **Paperwork kept to a minimum**

The statewide contracts have drastically cut the amount of paperwork needed for processing. Under the previous system, if all 600 school districts in the state wanted to buy mayonnaise made with USDA-donated oil, each would have had to have its own contract. With five sets of the contract needed for every district, there would be 3,000 contracts, each 12 pages long.

"That's 36,000 pieces of paper!" Berger says. "When I enter into a contract, all I need is three sets of one contract, so we're down to a total of 36 pieces of paper versus 36,000—for the *same* amount of business."

Companies can join the processing program any time, and participate for as long as they want. Berger will take on a company for even a month or less. All contracts have an automatic termination date of June 30—the end of the school year—but Berger often renews the contracts into the next fiscal year, starting July 1.

Processors must be fair in their dealings with school districts. "We don't require that a processor has to serve every school district in the state," Berger says, "but processors cannot be selective about who they give the commodity discount to."

"For instance," he explains, "a processor may be selling to three districts. He can't say, 'I'll give the discount to districts A and B, but not C because C is a big customer and I can make more bucks by selling to that district at the regular price.' We don't allow that."

Berger says his is one of the few states that requires a monthly proc-

essing report from each school district as well as from each processing company. The report from the processor tells what government products they have, how many and what districts they sold to, and how many cases they sold. School districts report what they bought and who they bought it from, how much they paid for it, and how much they would have paid if it didn't contain government commodities.

Berger's office then compares the reports, and follows up if there are any discrepancies. "It keeps things pretty honest," Berger says.

"Although we can't possibly review every single report every single month, nobody really knows which reports we're reviewing on any given month. So they have to be on their toes all the time."

Schools balked at the monthly reporting in the beginning. But, says Berger, most are realizing that the reports do not take much time and that the effort is worth it. "More and more of these folks are seeing that the processing program is saving them beaucoup bucks, and if they stay off of it because of a piece of paper, they're hurting themselves."

A few years ago, Berger illustrated this point very clearly to a school district. He knew the district was buying products from a company that was participating in the processing program. He also knew the district wasn't submitting the rebate forms to the company because the lunch director said it was too much work.

Berger got all the reports from the company, had a clerk compile them, and filled in the rebate. He then sent the form back to the company, and the company sent the school district a check for nearly \$7,000. "That proved a big point to a lot of school districts," Berger says.

### **N.Y. processes variety of food**

The commodities Berger uses for processing range from turkey to dry milk to canned fruits and vegetables. "There's not a single product that we wouldn't process if there was somebody out there who wanted to process it," he says.

Berger has three turkey companies that process whole turkey into various other products, like turkey



roll and turkey pastrami. He has five or six different meat companies that take ground beef and make it into beef patties, meat loaf, meat balls, or precooked patties. He has two or three companies that take chicken and either barbeque, fry, or bread it, if it doesn't come breaded from USDA. He also has companies that take canned fruits and put them into prepackaged or preportioned servings.

"You get to a point where you think there's next to nothing that can't be processed," Berger says. "Dry milk is a perfect example. We never thought there would be a use for dry milk a number of years back. Now we send it to a cheese company that makes mozzarella cheese, when we don't get it from the federal government.

"We send dry milk to companies that make ice cream and milkshakes. We have a milkshake in New York that is approvable for reimbursement in the National School Lunch Program."

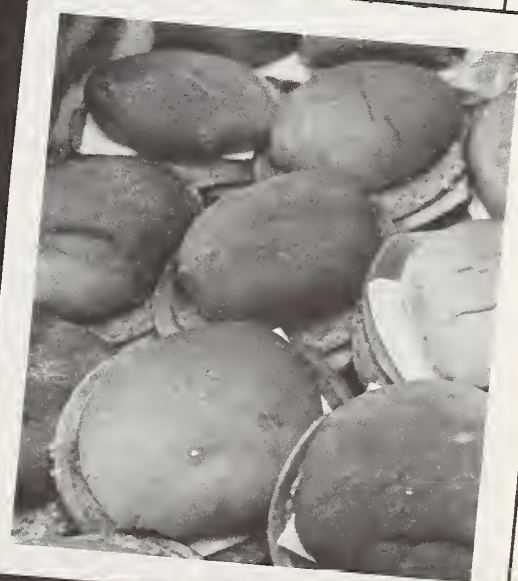
The state uses cheese in a number of ways. In addition to the standard fare, like toasted cheese sandwiches, pizza, and lasagna, New York has come up with some surprises, like a fish and cheese sandwich. Berger has arranged for fish companies to add USDA-donated cheese to the fish sandwiches they sell to schools.

"The protein requirement in the school lunch program is really getting an assist from that," says Berger, "and it's another use of bonus dairy commodities. It also brought the fish industry into the commodity program, and provided a new product to school districts."

Schools in New York actually decide what foods will be processed. Berger says his office never needs to solicit bids from companies. Roughly 90 percent of the companies come to his office after being referred by school districts. The other 10 percent come in because their competitors participate in the program and they want to stay competitive.

Two years ago, Berger had one contract with a mayonnaise company. Now he has contracts with four. One processor joined the program because some schools suggested he do it. The other three joined because the first was getting all the schools' business. Now,

New York works with more than 100 companies through its processing program. Hamburger patties and sandwich rolls are just two of the more than 400 products made entirely or in part with USDA-donated foods.





obviously, the price can come down.

### **Companies make some substitutions**

USDA allows processors to substitute their own inventory for certain commodities, as long as they are of like quality. For instance, baking companies may substitute their own flour for donated flour, or mix the two. Meat or poultry may never be substituted, but several other USDA foods may be. Butter, cheese, corn meal, rice, nonfat dry milk, and peanut butter are a few examples. State distributing agencies may also allow other foods to be substituted.

Berger says this has been a big help to processors and in turn to schools. "A processor used to have to go all the way out to a dozen school districts and pick up 20 or 30 cases from each one of them before making up his product.

"Now, he makes up all the product from his own inventory. As he delivers to the school, he picks up the corresponding amount of what he would have picked up the first time. He makes a delivery and a pickup in one trip instead of two, and that saves a lot of fuel and energy."

Berger regularly gets feedback from school districts on products. However, schools often complain directly to the companies, and just let Berger know whether or not the company corrected the problem.

"Basically, our policy with schools is that their first contact is back to the person who sold the product," he says. If a school can't get a remedy, then they come to Berger to mediate.

### **Good ideas come from everywhere**

Perhaps the most unusual products Berger has processed are knishes. He began with potato knishes and has added spinach and sweet potato knishes. A knish is a piece of dough that surrounds a meat or vegetable filling and is either baked or lightly fried.

Berger says knishes are a big thing at Yankee Stadium. Roy White who used to play for the New York Yankees, advertised them, and that's probably where someone got the idea for making knishes for schools. "We wound up in a contract using dehydrated potatoes

from USDA. It went over well, and now we also use government-donated sweet potatoes."

From there it developed into spinach knishes. "It's an example where one thing led to another and then another," Berger says. "And we're using products that are not the greatest in the world to use. I don't think there's anything we can't come up with."

### **Berger sees some encouraging trends**

With all the energy and imagination he puts into New York's commodity program, Berger still has time to look at the national picture.

He feels the food distribution program could be improved if USDA had minimum standards that states had to meet in administering the program. While there are minimum standards for the food that is donated, there are currently no minimum standards for administration.

"Right now," says Berger, "I can do basically whatever I want to do, and not be in violation of any of the regulations. For instance, right now I have the largest processing program in the country. If I decided tomorrow it's too much work, I could have the smallest. In fact, there's nothing anywhere that says I have to have a processing contract at all.

"In New York, we make distribution to schools every 4 weeks. I could say right now, 'Instead of every 4 weeks, I'll have a distribution every other month because it will save a lot of work in the office.' Sure, I could do that, but it would kill the program. Who could store 2 months' worth of food?

"Schools in New York order monthly. I could say, as some states do, 'Okay, it's September 1, tell me how much of the products you'll need for the rest of the year.' On one order!"

Another problem as Berger sees it is that school districts in some states end up paying administrative costs for donated food, while others do not. "I know some major cities in the country that get rail shipments of USDA foods," he says. "The cities are so big, they get whole rail cars shipped right to their warehouses.

"They may, for instance, get a rail car of ground beef. The beef, of

course, is free, but along with it they get a bill from their state for a couple thousand dollars in administrative charges.

"We have never in a little over 7 years billed New York City one cent for any food they have ever received from us. They use their own warehouse, they do all their own work. All we do for them basically is add their order on to our orders. It takes 10 seconds to do it. Yet some states charge their school districts for every lifting of the pencil."

Still, Berger has seen a real turn around in the program in the past year or two. He sees the attitudes of many people—from the local level up to Congress—becoming much more positive. "A lot of food service directors are beginning to realize that a problem in their particular state doesn't mean the entire country's program is bad. People may bad mouth the program when, in fact, some of the problems are really specific to their states and not nationwide."

Occasionally, Berger gets requests from school districts in other states asking how he handles specific problems their school district is experiencing. These school districts often see that changes need to be made in their state systems.

For states that have specific problems with their commodity programs, there are many places for them to turn for help. Berger says USDA regional offices and the National Association of State Distributing Agencies have many of the answers. (See the article on technical assistance from USDA on page 2.)

"I think a good number of us are doing a good job," Berger says. "I'm encouraged, all in all. We're looking better than we've ever looked in the commodity program. Every time we turn around we pick up support from somebody."

For more information, write:  
Ernie Berger  
Office of General Services  
Bureau of Donated Foods  
Building 21, State Campus  
Albany, New York 12226  
Telephone: (518) 547-2919

*article by Linda Feldman  
photos by Larry Rana*



# California lunch managers find advantages in local processing

Early each school day a delivery truck from the local baker drops off fresh, still warm, bread and rolls for the three schools in the tiny Willits school district, 100 miles north of San Francisco.

At the same time, 500 miles to the south, 18-wheelers from throughout southern California deliver a wide range of foods to the 500 schools that make up the sprawling Los Angeles Unified School District. In both cases, the trucks are delivering foods provided under processing contracts and tailored to local needs.

Many California school districts arrange for local processing of USDA-donated foods. In negotiating with local processors, districts use a model contract supplied by the state, and they send the state a copy of all final agreements. Large districts, like Los Angeles, usually arrange for USDA foods to be shipped directly to processors from state warehouses or USDA suppliers. Smaller districts often store USDA foods and supply them to local processors as needed.

Here's what several districts are doing with processing contracts, and the advantages local managers see:

Willits, a lumber town in redwood country, has a single processing contract with the town's baker. Every morning, each school gets a delivery of donuts, cinnamon rolls, muffins, buns, cookies, French bread, or dinner rolls, depending on the day's menu.

The district serves some thousand lunches a day—a number equal to a third of the town's population. Each school has a complete kitchen, and the food service is personal. All but a few items are prepared fresh daily from scratch by a staff of seven, headed by food service manager Duncan Bacci.

Bacci, who insists on fresh preservative-free baked goods, says she contracts out her baking because it isn't cost-effective for the tiny school district to purchase the equipment or pay the extra hours of



The Los Angeles Unified School District (LAU) provides commodities to more than a dozen processors. Here, a company makes pizza, using

USDA-donated beef and cheese. Other companies use donated beef and cheese in such student favorites as burritos and tacos.

labor to produce such a variety of baked products. Contracting lets her maintain high product standards—higher than many commercial products—but at substantially less cost.

For the Los Angeles Unified School District (LAU), food service is big business. The district's central kitchen produces nearly 50,000 preplated lunches each day for more than 100 schools. Another 420 schools use their own kitchens to assemble meals. In all, LAU serves close to a half a million breakfasts and lunches daily.

LAU takes working with local processors in stride as part of this complex food service machinery. Last year, the state's largest district funneled \$9.5 million worth of USDA commodities to more than 500 schools. Almost a quarter of that amount, more than \$2 million worth of commodities, went to processors.

LAU has its own processing plant that converts USDA foods into such cafeteria basics as braised meat,

Sloppy Joe mix, sweet and sour sauce, spaghetti sauce, cake mixes, enchilada sauce, and others. In addition, the district provides commodities to more than a dozen commercial processors, who use the foods in a variety of ways.

Cheese, for example, is used in cheese burritos, taco snacks, and by itself or with ground pork in pizza. Ground beef is made into hamburger patties or used in meat burritos. Ground pork, when available, also goes into burritos and is the basic ingredient in sausage patties. LAU pays the standard wholesale price for the finished products, less a discount for the value of USDA commodities.

In addition to cost savings, LAU's chief of nutrition services Carol Noelting sees a number of advantages to using processing contracts. "Preparing some things—sliced sandwich bread, for example—requires special equipment we just don't have," she says. And, she adds, by having a single processor produce a particular item for all 500 schools, quality control is easier.



The nearby El Monte School District, in a suburb of Los Angeles, processes 60 percent of its commodity entitlement. The district has five suburban high schools with 9,000 students, most of whom are Hispanic and Asian-American. Food service manager Marty Burgess says processing contracts help her tailor her program to student preferences, and she's come up with a number of creative uses of USDA foods.

For example, with the help of a local processor, Burgess developed a turkey egg roll that uses USDA-donated turkey and flour, has a tortilla-like roll, and is a smash hit with students. Another Mary Burgess original is her chili recipe for commodity beans and ground beef or pork. It's so popular she uses more than 50 cases a month.

The Downey Unified School District, in another Los Angeles suburb, also makes extensive use of processing contracts. Food service manager Betty Stahl says processing contracts keep her program in the black. "The savings in time and money let us do some creative things we couldn't afford before," she says.

The savings from processing USDA-donated foods are dramatic. This year the district will get \$150,000 worth of food products for \$20,000. That's roughly one-quarter of the food Stahl will use for the 6,000 to 7,000 school lunches served daily in the district's 18 schools.

Stahl says processing contracts have cut labor as well as food costs. Because of the program's good financial position, she's been able to expand the menus and offer additional a la carte items, a salad bar, and soup-and-sandwich lines in district cafeterias. She is able to maintain kitchens in individual schools—a more expensive way to operate, she says, but one she prefers because it gets each school's food service staff more directly involved with the meals for their students.

Stahl likes the consistency of the processed products. She can maintain small inventories because many processors keep a stock of processed products and send her small, manageable shipments as needed.

More and more schools through-

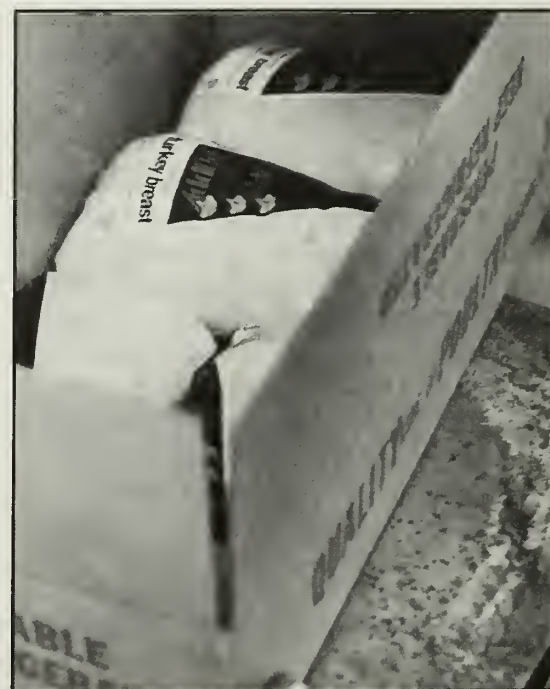


Another Los Angeles company takes whole turkeys from USDA, skins and cuts them up, and makes a variety of products, including specially packaged turkey breast. Packaged this way, turkey is easier for schools to use.

out the country are turning to processing contracts to convert USDA-donated foods into convenient and easy-to-use forms. The contracts also help processors by giving them opportunities to build their sales volume.

For more information on processing contracts, contact your state distributing agency, or the nearest regional office of the Food and Nutrition Service, listed on page 15.

article and photos by Tino Serrano





# Food Help For Charitable Institutions

Thousands of charitable institutions throughout the country use USDA-donated foods to help provide meals to needy people. They range from churches operating community kitchens for the homeless and destitute, to orphanages, and homes for the aged.

Last year, USDA's Food Distribution Program for Charitable Institutions helped provide meals for approximately 1 million people in 8,400 charitable institutions. This year, USDA is making even more food available through the program.

Here's how the program works and how institutions and organizations may take part:

## What are the eligibility requirements?

To participate, institutions must be nonprofit and serve meals on a regular basis. They may be either public institutions or nonprofit private institutions that have federal tax-exempt status. Institutions are not eligible if they are already participating in USDA's child nutrition programs or in nutrition programs operated under the Older Americans Act of 1965.

Some examples of eligible institutions include: Meals-on-Wheels programs, community kitchens, homes for the aged, temporary shelters, orphanages, correctional institutions offering rehabilitative activities, group homes for the mentally retarded, and hospitals that offer general and long-term health care.

## How does the program work?

Throughout the year, USDA buys a variety of foods through programs designed to stabilize farm prices. The Department has this food processed, packaged, and transported to designated locations within each state. State distributing agencies—usually located in the state department of agriculture or education—supply the food to eligible institutions and other users of donated

foods. Arrangements for supplying the food vary from state to state.

## How can a charitable institution join the Food Distribution Program?

Charitable institutions interested in participating in the distribution program should contact their state distributing agency. The distributing agency will then determine if an institution is eligible to participate, based on eligibility standards set by USDA.

## What foods are available through the program?

The kinds and quantities of food USDA donates to charitable institutions vary, depending on market conditions. Generally, they include: cereal and grain products, such as flour, cornmeal, rice, rolled wheat and oats, bulgur, macaroni, and spaghetti; and peanut and oil products, such as roasted peanuts, peanut butter, peanut granules, soybean oil, and soybean shortening.

In addition, while excess dairy surpluses continue, charitable institutions can get certain "bonus" items—currently, nonfat dry milk, butter, and cheese. USDA provides institutions with as much of these bonus items as they can use without waste in their meal services.

When conditions warrant, USDA has the authority to buy meats, fruits, and vegetables to relieve market surpluses. Among the foods distributed to charitable institutions last year were: grapefruit juice, lemon juice, frozen cherries, canned peaches, canned plums, dried prunes, raisins, turkeys, turkey roast, frozen catfish, and honey.

The amount of food an institution receives depends on the number of needy people it serves. However, the institution may include the food in all the meals it prepares.

by Susan Acker

## For more information

For more information about USDA-donated foods, write:  
Food Distribution Program  
Food and Nutrition Service  
U.S. Department of Agriculture  
Alexandria, Virginia 22302  
Or contact the nearest regional office of the Food and Nutrition Service:

### Mid-Atlantic Regional Office

Food and Nutrition Service  
U.S. Department of Agriculture  
Mercer Corporate Park  
Corporate Boulevard, CN 021150  
Trenton, N.J. 08650  
*Delaware, Maryland, New Jersey, Pennsylvania, Washington, D.C., Virginia, West Virginia, Puerto Rico, Virgin Islands*

### Midwest Regional Office

Food and Nutrition Service  
U.S. Department of Agriculture  
50 East Washington Street  
Chicago, Ill. 60602  
*Illinois, Indiana, Michigan, Minnesota, Ohio, Wisconsin*

### Mountain Plains Regional Office

Food and Nutrition Service  
U.S. Department of Agriculture  
2420 W. 26th Avenue, Suite 415-D  
Denver, Col. 80211  
*Colorado, Iowa, Kansas, Missouri, Montana, Nebraska, North Dakota, South Dakota, Utah, Wyoming*

### Northeast Regional Office

Food and Nutrition Service  
U.S. Department of Agriculture  
33 North Avenue  
Burlington, Mass. 01803  
*Connecticut, Maine, Massachusetts, New Hampshire, New York, Rhode Island, Vermont*

### Southwest Regional Office

Food and Nutrition Service  
U.S. Department of Agriculture  
1100 Commerce Street  
Dallas, Tex. 75242  
*Arkansas, Louisiana, New Mexico, Oklahoma, Texas*

### Western Regional Office

Food and Nutrition Service  
U.S. Department of Agriculture  
550 Kearny Street  
San Francisco, Calif. 94108  
*Alaska, American Samoa, Arizona, California, Guam, Hawaii, Idaho, Nevada, Oregon, Trust Territories, Washington*

### Southeast Regional Office

Food and Nutrition Service  
U.S. Department of Agriculture  
1100 Spring Street, N.W.  
Atlanta, Ga. 30367  
*Alabama, Florida, Georgia, Kentucky, Mississippi, North Carolina, South Carolina, Tennessee*



# How Texas Works With WIC Vendors

"Overcharging and other types of program violations cost us money—money that could be used to help supply added nourishment to people who need it."

So says Catherine Litteer, Texas director of the Supplemental Food Program for Women, Infants and Children (WIC), in discussing her agency's efforts to eliminate fraud in the program.

Health departments traditionally have been reluctant to get involved in compliance work; however, an incident 2 years ago brought the need for compliance home to the Texas agency. A random check of two Austin grocers—the result of an anonymous tip—uncovered illegal WIC operations amounting to more than \$250,000.

The WIC program is designed to help pregnant and nursing mothers, infants, and children up to 5 years of age who are at nutritional risk because of low income and poor diet. The program provides supplemental foods rich in protein, iron, calcium and other vitamins and minerals needed for good growth. The program is administered cooperatively by state and local health agencies and the U.S. Department of Agriculture's Food and Nutrition Service (FNS).

## WIC participants receive vouchers

In Texas, most people who participate in the program receive vouchers which they exchange for WIC foods at local stores authorized by the state department of health. Each voucher or card is for a specific food and a specific amount, depending on the nutritional needs of that particular mother or child.

Foods that can be bought with WIC vouchers include cereal, cheese, milk, juices, eggs and peanut butter for mothers and children. In addition, infants receive iron-fortified formula. Some of the foods—juice, infant formula, and cereals, for instance—are specified by brand name to assure that they contain the nutrients needed. This is one of the areas where violations can occur. An untrained clerk may sell cereals

other than the ones specified by the program—or someone working in the store may deliberately sell unauthorized items or even trade them for cash.

"While food stamp participants can use their food stamps to buy almost any food item," says Litteer, "WIC vouchers can only be used to buy a very limited selection of foods to meet certain specified nutritional needs."

Problems arise when grocers and other vendors exchange the vouchers for foods other than the ones specified in program regulations, charge WIC customers more than other customers, discount the vouchers for cash, or perform other illegal actions.

## Texas has a three-fold plan

Texas has developed a three-fold plan for preventing program violations by vendors, according to Ray Krzesniak, chief accountant for the state's WIC program, who is in charge of the program's compliance activities. First, they are scheduling annual reviews of 25 percent of the vendors in local project areas. (Federal regulations require reviews of at least 10 percent.) Second, they are sending warning letters or issuing suspensions to violators. Third, they are starting their own investigations of suspect stores.

In preparing to visit stores, the reviewers examine computer print-outs that show stores with prices consistently at or near the maximum amount allowed.

Drawing a 25 percent sample from each project area, they visit the stores to see if they are in compliance with program policies. The reviewers check to see if adequate stocks of foods used in the WIC program are on hand. They also look at the general appearance and operation of the store.

"If stocks of food used in the WIC program seem dusty or otherwise look as if they have been on the shelf a long time, we immediately become suspicious," says Krzesniak. This could indicate that participants are not being sold the foods they are supposed to get through WIC.

WIC cards on hand are examined to be sure that the amount of purchase is recorded on the card as soon as the transaction is made. The reviewers also check prices on the shelf against the most current voucher redemptions to be sure that WIC program participants are not charged more than other customers.





If the store owner appears to have been charging items to the WIC vouchers other than those allowed, the investigator asks for the store invoices for a 12-month period. If the store's purchases of a particular product fail to at least equal the amount submitted to the state in claims, the store is billed for the difference.

**Excessive prices also spotted**

The agency has also dealt with stores whose prices are out of line with others in the area. "After a year's careful scrutiny of stores redeeming WIC vouchers, the state notified those with excessive costs that they would be dropped because of their high prices," says Litteer. About 80 percent of these stores agreed to reduce their prices rather than be dropped from the program.

"With our tight budget and the need to serve as many people as possible," she says, "we cannot afford to keep stores on the program whose charges are consist-

ently higher than the average price of all vendors in an area."

The investigative phase has just started during the last few months. The food stamp compliance staff of the Food and Nutrition Service's Dallas office trained the Texas WIC investigative staff in techniques they use in food stamp compliance.

According to Krzesniak, the agency utilizes volunteers from the state staff and county health offices to serve as aides. The aides pose as WIC recipients and attempt to make illegal purchases in stores suspected of violating program regulations.

**Monitoring is getting results**

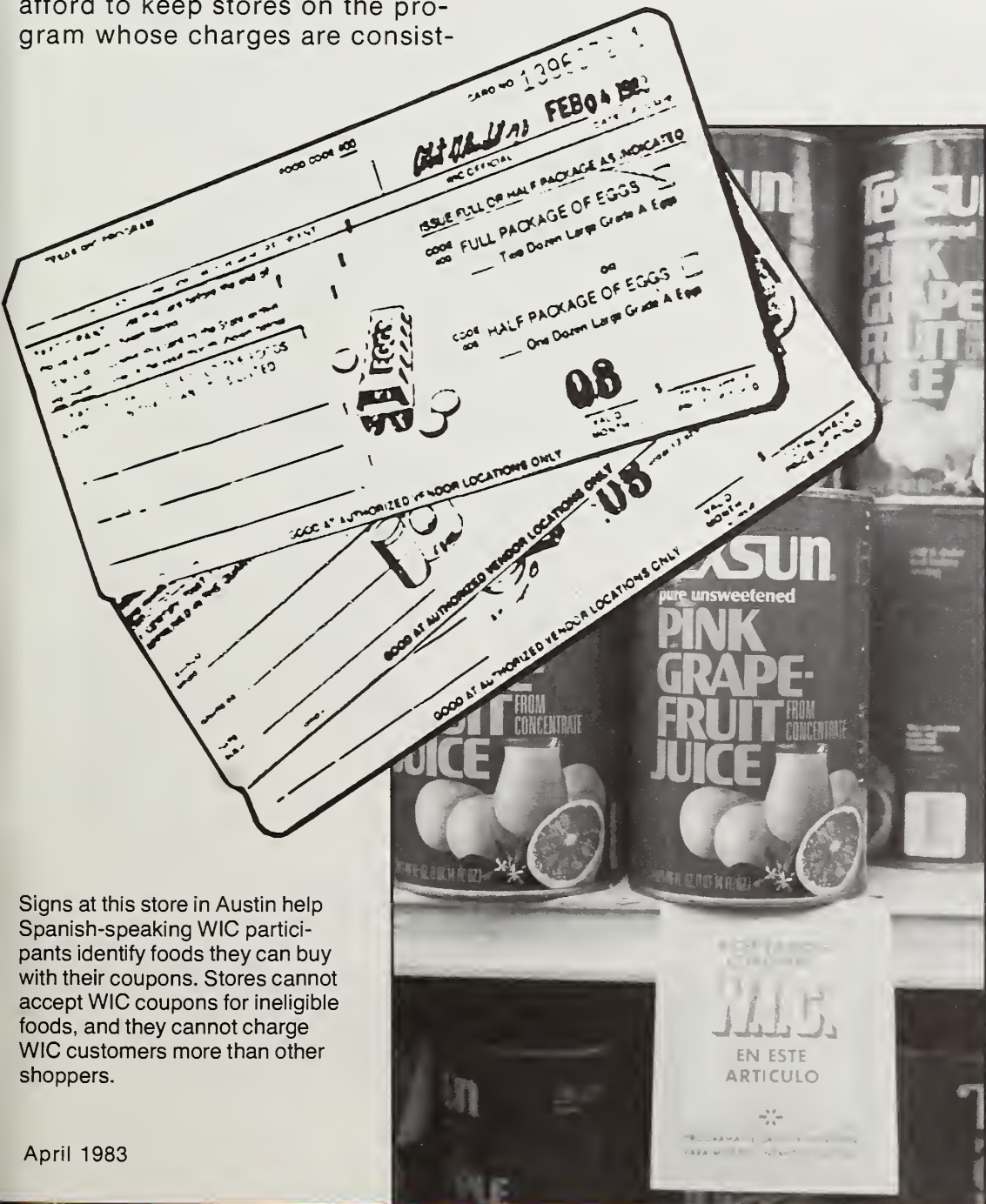
Success of the monitoring and review effort thus far has been good. While only four stores were suspended during the last fiscal year, a number received warning letters and were assessed claims for selling ineligible items. In fact, more than \$300,000 has been collected

during the past 3 years through invoice comparison. With the added scope of compliance buying, the Texas department of health WIC staff is intensifying their vendor monitoring to further assure program dollars are spent only for authorized WIC foods.

According to Barbara Sandoval, national director of the WIC program, states throughout the country are working with FNS to strengthen vendor monitoring efforts. "Although other state WIC programs may have procedures that differ from those in Texas," she says, "the past couple of years have seen significant strides in states' efforts in this area."

For more information on Texas' WIC compliance program, write:  
Catherine Litteer  
Special Project Director  
WIC Program  
Texas Department of Health  
1100 West 49th Street  
Austin, Texas 78756

*article by Ronald J. Rhodes  
photos by David Nance*



Signs at this store in Austin help Spanish-speaking WIC participants identify foods they can buy with their coupons. Stores cannot accept WIC coupons for ineligible foods, and they cannot charge WIC customers more than other shoppers.





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